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SUBJECT: TANZANIA-CHINA RELATIONS REMAIN STRONG DESIPTE GROWING CONCERNS

REF: A) 2008 Dar es Salaam 0284; B) 2007 Dar es Salaam 0305; C) Dar es Salaam 0153

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¶1. Summary: Chinese President Hu Jintao recently made a 36-hour stop in Tanzania as part of his five-nation African tour. The purpose of his visit was to solidify bilateral ties by reiterating past promises and by offering an additional USD 22 million in aid. President Kikwete warmly welcomed President Hu and praised Chinese no-strings-attached aid policy. Although Tanzanians are becoming increasingly wary of China's growing footprint and raising questions about its motives and the effects of its presence in the Tanzanian market, the long bilateral relationship continues to have substantial domestic support.

Context: China in Tanzania

¶2. China and Tanzania have maintained strong diplomatic ties since Tanzanian independence in 1964, signaled by mutual visits, bilateral trade, and Chinese-supported projects in Tanzania (See ref a). Main Chinese-supported projects include: the 1,860 km Tanzania-Zambia Railway (Tazara), the Urafiki (Friendship) Textile Mill, and, most recently, the brand new USD 56.4 million, 60,000-seat Tanzanian National Stadium, for which the Chinese provided just over USD 33 million. In 2006, the two countries signed five agreements in which China promised assistance in the fight against malaria and agreed to help upgrade the TAZARA railway (See ref b). Tanzania continues to be among the top African recipients of Chinese foreign aid.

¶3. Tanzania is at the forefront of the increasing Chinese footprint in Africa. After Angola and South Africa, Tanzania is China's third-largest trading partner. In 2005, the total trade volume between the two countries was USD 474 million. By 2007, that number had nearly doubled, to approximately USD 800 million. According to Bank of Tanzania figures, in 2005 and 2006 Tanzanian imports from China were about 2.5 times its exports. At least 40 Chinese firms are currently investing in Tanzania.

Promises Made

¶4. President Hu was the first Chinese Head of State to visit Tanzania. In a speech delivered at his welcome ceremony in Dar es Salaam, Hu called the Sino-Tanzanian relationship a "model for China-Africa cooperation" and underscored Chinese commitment to actively pursue increased engagement in economic, political, and cultural areas. He noted the "swift" Chinese reaction to the global

financial crisis and pledged to work to promote development of the world economy. Finally, drawing on a history of exchange programs, President Hu invited 50 Tanzanian students to China over the course of the next year.

¶15. The Chinese president came to Dar es Salaam with promises of assistance as well as expressions of friendship. He brought a 150 million yuan (USD 22 million) aid package, twenty percent of which is slated for Zanzibar. Moses Dulle, China desk officer at the Tanzania Ministry of Finance, told Econoff after the visit the GOT has not yet determined how to use the Chinese assistance. During Hu's visit the two nations also signed a number of bilateral agreements, which Dulle said focused mainly on infrastructure and the financial sector.

Tanzanian Views: Official and Otherwise

¶16. Welcoming President Hu, President Kikwete noted that China has quickly become a preferred partner for developing nations because of its offers of aid with few strings attached. Kikwete added that Chinese aid policy had no hidden agenda and was based on mutual understanding and respect.

¶17. Despite the official welcoming of Chinese aid and laudatory comments regarding Chinese involvement in Africa, some locals have raised questions about the true intent and real effects of China's increasing presence in Africa. For example, after the visit several Tanzanian blogs suggested that the offered Chinese aid was paltry in comparison with both the need in Tanzania as well as aid from other donors (notably, the USD 698 million Millennium Challenge compact).

¶18. In addition, several editorials used the visit to raise concerns that poor quality Chinese goods entering the Tanzanian market are undercutting better quality, locally-produced goods and posing real

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dangers to the health and well-being of Tanzanians. The editorialists referred to China's well-publicized domestic food safety issues as well as problems of counterfeit Chinese products entering Tanzania (see ref b on counterfeit chewing gum). Tanzania's Fair Competition Commission (FCC) impounded and destroyed counterfeit imports, mostly from China and elsewhere in Asia, worth USD 1.2 million in 2007.

¶19. Chinese Embassy Chief Economic Representative Liu Yulin told Econoff that Tanzania imported lower quality goods to meet the low purchasing power of Tanzanians: plastic wallets instead of leather, for example. While affirming that his government takes counterfeiting seriously, he acknowledged that some such goods will escape inspection. MOF China desk officer Dulle concurred, saying that the GOT must ensure standards and that China could not be blamed for exploiting a ready market for cheap goods.

¶110. Chinese exploitation of Tanzania's natural resources has also been a topic of public discussion. On timber exports, for example, the GOT's 2004 ban on exports of logs is widely seen as ineffective. A 2007 report by TRAFFIC International alleged that in 2004-05 China imported ten times as much timber as shown in official Tanzanian records - suggesting a loss of 90 percent of tax revenue on the Tanzanian side. More recently, the investment by a Chinese company in Tanzania's national airline has been linked to favoritism in oil concessions (see ref c).

¶111. Finally, some Tanzanians question the presence of an increasing number of Chinese citizens in the country. A recent opinion piece in the English daily "The African" asserted that foreigners, Chinese especially, entering the job market should be there as part of ventures which will create jobs for Tanzanians or provide otherwise unavailable services, not to enter into business ventures which could easily be carried out by Tanzanians. Many an eyebrow is raised at Chinese vendors of plastic flowers (Tanzania has a nascent horticulture industry producing high quality flowers) and Chinese owners of local shops selling traditional garments and everyday items.

Comment

¶12. Despite concerns, the Tanzanian connection to China on both a personal and governmental level remains strong. It was no coincidence that Tanzania was chosen as the only African stop of the Olympic torch in 2008, nor that the torch procession was met by loud cheers rather than protests. Tanzanians overall continue to have a strongly positive outlook towards China; highly visible aid projects, like the new stadium, seem likely to sustain that image.

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